

SOCIAL CAPITAL AS AN ELEMENT OF PERSONNEL STRATEGY IN A MEDIUM-SIZED ENTERPRISE

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Summary: This paper describes the significance of social capital in building the personnel strategy of a medium-sized enterprise. The author in question presents various approaches to defining social capital in an organization, as well as briefly describing its structure. It subsequently concentrates on the models of personnel strategy as determinants of the direction of the development of social capital. It indicates the necessity of selecting a personnel strategy, which includes elements of social capital that are applied to the situation on the market. There is also emphasis on such factors as the following: sharing a common vision that is expressed in collectivist values, creating entrepreneurship and activity, cooperation and building of a network of common ties both within and outside the organization at hand. Subsequent to this, there is a description of the main determinants of the personnel strategy including elements of social capital in a medium-sized enterprise. It puts forward the conclusion that a personnel strategy based on the model of human capital including elements of social capital may become the basis of market success.

Keywords: social capital, personnel strategy, medium-sized enterprise

1. INTRODUCTION

It has been maintained for a long time that success on the market was decided to a large extent by the general strategy of the company at hand, in which attention was first and foremost paid to production and distribution, whereas human resources were treated as a less significant factor in terms of an impact on the ultimate market success. Only recently have practitioners on the market acknowledged that success on a constantly changing market is decided to a significant extent by employees who are equipped with the relevant competences. The competences of managers and employees constitute human capital, which is an increasingly important factor in determining the development of an enterprise. Knowledge, skills, motivation, behaviour and attitudes with regard to the work of employees is more and more frequently decisive in whether an enterprise is competitive or not (Król 2000:240). Another equally significant form of capital associated with employees is social capital. The characteristic feature of social capital is the fact that by connecting people in social networks, it leads to the case whereby they gain benefits from belonging there. People who are connected with each other by a network of ties by trusting each other, oblige themselves to grant support and thanks to this, they have access to common resources and achieve success

Hence, it is worth building social capital. The mutual ties of social capital together with that of a personnel strategy facilitates the application of a model of strategic management of human resources are encompassing the decisions with relation to the employees that direct activities in the area of work over the long term.

2. SOCIAL CAPITAL IN AN ENTERPRISE – DEFINITION CONTEXT

In the case whereby enterprises have similar technology of production at their disposal, as well as access to markets, there is a search for factors that would facilitate the achievement of

a competitive advantage on the market. Since the late 1990s, researchers have indicated social capital as one of the determinants of success on the market. Analysis of numerous works relating to social capital in an organization indicates that it is difficult to formulate this notion in an unequivocal manner. Some authors concentrate on its social functions. For instance, J. Coleman refers to social capital as the social function of an organization, such as trust, norms and the network which may improve the effectiveness of society and the organization itself by facilitating the coordination of activities (quoted from Burt, 2000:4). Other authors indicate its internal or external dimension, namely by perceiving it either as a form of ties of an organization with its interested parties, partners, competitors (external notion of capital), or as a form and nature of ties between the members of an organization (internal notion of capital) (Leana, Frits, 2006). It is worth discussing this approach in a broader sense, namely in the external notion of capital, attention in the form of research which is directed towards the network of connections that a given enterprise maintains with its environs, e.g. with clients, suppliers, competitors and other entities. This network has an impact on its competitive potential. In the theory of a network, it is indicated that the value of an enterprise is the derivative ability to create a network organization and the right to avail of the knowledge capital created by the participants of the network (Burt, 2000:24). In this notion, attention is sometimes drawn to the network of ties between the managers of the highest level. For instance, Ch.J. Collins and K.D. Clark in analysing the strategic practices of managing human resources in the sphere of creating a competitive advantage for enterprises, stated that the strength and scope of external connections between the managers of the highest level of high technology companies are significant indicators of the growth of sales of companies (Collins, Clark, 2003:740-751).

In the internal dimension of social capital, there is an emphasis on the social ties connecting the employees of an enterprise that have an impact on the creation of the vibe of cooperation, as well as enabling the achievement of the common goals of the employees and the enterprise. The fundamental assumption of this approach is the conviction that involvement and participation in an organization may bring benefits to both the organization, as well as to the participants. J.S. Coleman in analysing the internal dimension of social capital in an organization stated that the skill of interpersonal cooperation within a group and organization facilitates the realization of common goals on the one hand, while on the other hand, facilitates the individual creation of value (Coleman, 1998:108-109). This skill co-creates such dimensions of social capital as the following: duties and expectations, information channels and social norms. In turn, the research of J. Nahapiet and S. Ghoshal indicates that thanks to the development of internal social capital, the ability of an organization to adopt and produce knowledge increases (Nahapiet, Ghoshal, 1998: 242-266). Social capital thus determines the growth of intellectual capital. Researchers on the basis of empirical studies and conceptual work on the ties between social capital and intellectual capital explain the following three dimensions of social capital: structural dimension, i.e. the ties between the members of an organization, cognitive dimension, i.e. common language (signs, symbols), relational dimension, which appears in obligations, norms and trust. (Nahapiet, Ghoshal, 1998: 252-256) Analysis of these dimensions facilitates the definition of the attributes of social capital in an enterprise. The first of them is a structural element, which encompasses social network and information channels. This may be termed as the capital of social networks. The second is of a normative nature, which includes social norms regulating the social ties of membership that is designated in an organizational way. These ties are bilateral, mutual and regulated by an organizational structure, thus due to this fact they have the nature of regulated and normative ties. The degree of sharing the common vision of an organization also has an impact on their shape (collectivist values, subordination of the aims of units to the aims of the organization). The capital of culture is created. The third one is of a moral nature, which

includes the norms of trust and mutuality. This may be termed as trust capital. B. Badura also distinguishes leadership capital (Badura, 2008: 33).

In analysing the significance of the particular elements in creating social capital, it is worth indicating network capital first of all. For many researchers, social networks are the most significant element of social capital, e.g. J. Nahapiet and S. Ghoshal are of the view that networks are of great importance in creating and distributing the resources of an organization to its particular members. They indicate that the sum total of the actual and potential resources within an organization is accessible through the medium of a network of ties for both the employees and the organization itself. Social capital thus, encompasses both networks, as well as assets which may be initiated with the aid of this network (Nahapiet, Ghoshal, 1998: 243). A network participant not only participates in the social capital of this network, but also contributes to its development. Such a participant invests in maintaining these ties by providing his abilities, talents, as well as tangible and intangible resources at the disposal of the other members of this network. Thanks to this fact, he may also avail of the abilities, talents and resources of the other members of the network. Units participate in social networks as they bring them specific benefits. Attention is drawn to this fact by A. Portes, who is of the view that the feature of social capital is the ability of entities to ensure benefits from the membership of social networks or other social structures (Portes, 1998:6). In the theory of networks, the main assumption is the claim that the players involved are not independent units of an organization, but are rather dependent on the other participants of the network (Fuchs, 2006:125). In accordance with this approach, the unit is not an isolated individual whose foundation is merely his biologicality, but his thinking and activity are influenced by culture. The scope of this influence is dependent on the quality of ties between the network participants and their cultural institutions, e.g. the system of characteristic norms and values for a given network (Kilduff, Tsai, 2003:5).

Another attribute of social capital is leadership. This has an impact on the development of social capital in a twofold fashion, through the medium of designating the aims, structures and processes, as well as the means of taking the everyday personnel decisions and communicating with understudies. Personnel decisions are conditioned in a particular way that is characteristic for the organization of values that favours the creation of a good or bad vibe in an organization. Such communication between the management and the employees has an impact on the quality of social ties in an organization. Good communication between the manager and a team of employees results in positive ties. Elements of good communication are a fast and efficient flow of information with regard to important organizational issues, effective feedback, as well as the so-called “open ear” for co-workers. An indicator of leadership capital is the orientation towards the employees. A high orientation towards understudies among managers results in the creation of positive emotions among employees, which gives rise to consequences in increasing the efficiency of employees. B. Badura indicates that the orientation towards employees is displayed by interest in the personal matters of employees and acknowledgement of the achievements of individual employees (Badura, 2008:35).

Another element of the social capital of an organization is its culture, which consists of common values, convictions and norms, identical forms of perception, thinking, evaluating and activity. Its resources exist in the common thinking, emotions and values, which reduce the probability of the occurrence of misunderstandings, controversies and conflicts, as well as having an impact on the restriction of costs associated with the monitoring of employees. Cultural capital fulfills various functions in an enterprise, namely serving the development of positive approaches of employees to their enterprise and the management (Kostera, 1994:18).

Subsequently, it influences the shape of social ties in an enterprise, by creating emotional ties between the personnel, tasks and the vision of the organization at hand.

An equally important element of social capital is that of trust, as previously mentioned. By availing of the approach of R. Putman, it is possible to state that trust in an organization as displayed to other employees is based on the principle of mutuality, with the notion that it is necessary to do something for a co-worker without expecting immediate gratification, but with the hope that in the future the same co-worker, or another co-worker will return the favour (Putman, 1995). This constitutes the system, which complements organizational control. In an enterprise, the indicators of trust are as follows: co-participation, the values of cooperation, motivation and structures, identity and involvement, as well as the culture of trust.

The skilful use of social capital both external, in the form of ties with the external environment, as well as internal, which occurs in the form of teamwork and cooperation between individuals within the framework of social groups will favour the increase in value of this organization on the market. Hence, an enterprise through the means of ties with the external environment, as well as through the structure and nature of internal ties expands its ability to compete with other organizations, which is a function of both types of ties (Adler, Kwon, 2002:21).

3. SOCIAL CAPITAL AS AN ELEMENT OF PERSONNEL STRATEGY

In enterprises operating in conditions of uncertainty and relatively high level of variability, a significant role is played by personnel strategy. Its significance comes down to the activities encompassing the designation of long term aims directed towards the constant improvement of the particular elements of human potential with the aim of adjusting them to the changes occurring within the enterprise and its environs (Pocztowski, 2007: 53). Personnel strategy is usually of an intricate nature that occurs during the course of searching for answers to the following questions: What is the state of an enterprise with relation to human resources? How may we assume to acquire a state of employment over a specifically long-term period of time? With what methods do we intend to achieve this state? Will social capital be helpful and to what extent in the development of human resources? Responses to these questions constitute a fundamental sub-strategy built for the particular personnel functions such as recruitment of employees, improvement of employees, or even development of social capital. The creation and scope of realization of these personnel sub-strategies depend on the degree of integration with the personnel strategy with the remaining elements of the strategy of an enterprise. The function of personnel strategy is to aid the organization in its strife towards achieving its established goals. Thus, the appropriate matching of the strategies of an enterprise with the personnel strategy is essential for the company in question to achieve success on the market. Nevertheless, integrating these two types of strategy is not always the optimal solution. With relation to this fact, managers should identify the mutual ties between the strategy of the company and the personnel strategy as early as at the stage of preparation and implementation. The analysis of the ties between the quantitative indicators that is characteristic for business strategies, i.e. the dynamics of production, the development of a new product, the application of new technologies, while also elements of the personnel function, the recruitment and improvement of employees, evaluation of personnel and their motivation. It is also worth analysing the ties between the afore-mentioned quantitative indicators and the attributes of social capital, e.g. the effectiveness of social networks, the level of social trust and the resource of value. Focusing on this analysis facilitates the indication of the importance of creating social capital as one of the determinants for the

development of the enterprise. With this aim in mind, it is worth considering the dependency between personnel strategy and the social capital of an organization.

Mutual dependency between the personnel strategy and the social capital of an organization may be followed by analysing the following types of strategies: development, stabilization (defending the current position) and defensive action (reduction of costs) (Janowska, 2002:23-25). The strategies of development, which are characterized by innovative activity and analytical-research activities undertaken with the aim of launching new products or gaining new markets, require employees of the highest meritorical and creative qualifications. Employees are required to have work qualifications, constantly increase skills and focus on innovation and a constant analysis of the environment. The personnel plan assumes that in the case of recruiting new personnel with a high level of competences or constant improvement of the employees already employed through the means of organizing training at a high level. An important function is fulfilled by trust, which facilitates a rapid adaptation of the newly recruited employees and has an impact on the creation of the orientation towards teamwork.

In a situation of the strategy of stabilization, which is focused on the maintenance of the position on the market that was gained thanks to the high quality of the goods or services offered and perfectionism in activities, employees with relatively high qualifications are necessary. The personnel plan assumes the maintenance of the squad of workers, as well as the constant improvement of employees guaranteeing the maintenance of the market position. In this type of strategy, it is worth developing social networks whose participants would be the employees. A network participant not only participates in the social capital of the said network, but also has a contribution in its development. Such a participant invests in the maintenance of these ties by placing his abilities, talents, while also tangible and intangible resources at the disposal of the other members of the network. Thanks to this fact, it may also avail of the abilities, talents and resources of the other network participants. This mutuality is the basis of developing the capital of a network and guaranteeing the development of an enterprise without the necessity of investing additional financial means. Networks are therefore, not only a social space within which we may only analyse the practices of operations and behaviour of the network participants, but are also the result of social interaction, whose social capital constantly reproduces and creates a new image (Fuchs, 2006: 26). The characteristic feature is its creation of knowledge, as well as its exchange between the participants, which enables it to improve constantly.

The defensive strategy in assuming the reduction of costs is adopted in situations of unfavourable economic conditions, excessively strong competition, low level of competences among employees etc. These are featured by internal restructuring and maintain or change the profile of operations. The consequence of this strategy is on the one hand, the reduction of employment figures, while on the other hand keeping the best employees and their constant improvement. The factor supporting the reparation work and reducing situations of conflict aroused by the reparation process may become that of social capital. In particular, it is worth developing one of its elements, namely, the capital of partnership culture. The significance of this for an organization results from the values of the so-called teamwork, openness in communicating, ability to run dialogue and subjectivization of employees. The building of trust between the management and the employees is equally important. In an enterprise in times of crisis, it is possible to first of all strive towards the creation of conditions for the development of rational trust, or in other words, the creation of a transparent structural arrangement of an organization in which transparent conditions of cooperation would be binding. The following step may be to build moral trust based on adherence to moral standards in ties between employees and managers.

The personnel strategies described above do not occur in the shape of a "clear form" in enterprises, but are rather a set of elements of several strategies. Building a strategy is to a large degree dependent on the market situation of a given enterprise.

4. MODELS OF MANAGING HUMAN RESOURCES AND PERSONNEL STRATEGY IN A MEDIUM-SIZED ENTERPRISE

In medium-sized enterprises due to the fact that they have functioned longer on the market professional management of human resources have formed. It is possible to distinguish three models of personnel management among these firms as follows: the model of the status quo, the expansive model (Oleksyn, 2000:120-123) and the model of human capital, which have consequences for personnel strategy.

The model of the status quo is adopted by firms that do not want to continue development, but only want to maintain their existing position on the market. These enterprises during the course of their activities focus on good quality of goods and services and building of ties with their clients. This building of ties appears in the form of reliability and honesty in contacts with clients, as well as with cooperating firms. The consequence of the model of the status quo is that of personnel strategy, in which a specific type of employee is preferred for employment in the enterprise. Such an employee is featured by high quality of work executed, culture in contacts with clients, dependability and honesty. In the market reality, it is difficult to find such an employee as the necessity of applying low profit margins and restriction of labour costs forces in turn, restrictions in the sphere of remuneration. With relation to this, employees employed in these enterprises may not count on high salaries, which – in the case of highly qualified employees – results in the search for other more attractive workplaces. Thus, the aim of the activities of managers should be to retain the specialists of high class in the enterprise at hand. Social capital may be helpful in this area, particularly its element that is known as the capital of organizational culture, which may take on the form of partnership culture of the organization based on the partnership ties of employer–employee (Bylok, 2011: 134-154). These ties are between the employer and employees on one hand, while on the other hand employees require the building of trust, cooperation and common interests. Employees are expected to devote their creativity and personal involvement to the development of the enterprise. Simultaneously, the employer makes his contribution to the building of partnership ties by allowing employees to participate in the information, communication and decision-making processes.

The expansive model is based on a pro-development and pro-market orientation. The pro-market orientation in an enterprise is the focus on production and the client. The enterprise becomes familiarized with the needs of the consumer and organizes the activities to serve them. This orientation first and foremost occurs during the course of drawing attention to the economic assessment, innovativeness, effectiveness, personalization of the economic aims of the enterprise that are identifiable with the aims in life of the employees, functionality – maximum usefulness of all the values participating in management aimed at maximizing financial values, marketing and market awareness of the enterprise (Strużycki, 1993). The impact of market orientation thus encompasses the process of production, distribution and promotion. Pro-market orientation is associated with the pro-development orientation. The essence of this orientation is that of activities on behalf of improving the market position via expansion. With this aim in mind, new markets and new forms of activities are sought after, which in turn are connected with the risk of suffering failure on the market. With relation to this, the personnel strategy is directed towards acquiring managerial staff on the one hand, which is featured by openness, activity, imagination and skills of taking risky decisions, as

well as first and foremost, entrepreneurship. On the other hand, employees who are active, flexible and at the disposal of the company are the preferred choices. Due to the increased risk of activities, the loyalty of employees and the skill of cooperation are highly valued. In this model, it is worth building social capital based on the network of connections of the enterprise with its environs, e.g. with its clients, suppliers, competitors and other entities. The network of ties, which a given organization participates in, is created by relational capital.

From the perspective of social capital, it is worth describing the model of human capital, which assumes that the fundamental mechanism for the functioning of human resources is not rotation, but professional development of the employees. It is assumed that a human being is a person that is capable of learning throughout his life and by ensuring the development of a company's employees, this "attaches" them to the company at hand. In personnel strategy, attention is paid to employees as the most important resource of the enterprise. People are accepted for work in the company who are susceptible to self-improvement and effective cooperation. Employees are made redundant very rarely and if someone is not working effectively, then he/she is transferred to another position rather than being made redundant (Kostera 1994:27-28). The feature of this model is the fact that it generates an element of social capital known as the capital of organizational culture based on ethical values, namely, loyalty, sense of involvement and cooperation, thus, it creates collectivist attitudes.

5. CONCLUSIONS

The analysis of the Polish economic reality indicates that the majority of companies do not possess a personnel strategy. The research of Janowska concludes that almost half of the enterprises analysed do not possess a personnel strategy (Janowska, 2002:40). In as much as small enterprises numbering just several or umpteen employees may function on the market without such a strategy, the medium-sized enterprises should not operate without one. Building a general strategy of a company and the associated strategy of managing human resources is now becoming essential. Such a strategy in the sphere of personnel should include aspects determining the development of social capital in the organization. The advantages of social capital are among others, the creation of mutually beneficial collective activities by establishing the roles and social networks that are complemented by regulations and procedures that facilitate the functioning of the organization. Social capital creates the social features of an organization such as trust, norms and ties, which improve the efficiency of an organization. This creates the tendency of employees to move towards undertaking mutually beneficial collective activities (i.e. trust, solidarity, cooperation, justice, democratic management).

The strategy of personnel management should create entrepreneurship and activity, as well as build a network of mutual ties both within and outside the organization. With the aim of increasing the market position, medium-sized enterprises should move away from the model of management based on employee qualifications in the direction of shaping the competences of employees and cooperation. It is becoming necessary to inspire the personnel to undertake constant education and development, regardless of the level of education, age and position. However, this requires such an orientation of the specific financial outlays for building an enterprise based on social capital, which in the case of the majority of medium-sized enterprises is difficult to realize.

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